

Wal-Mart predicts plump profits as people pinch pennies

By Marcus Kabel, The Associated Press

Defying the gloom that many retailers are feeling, Wal-Mart ([WMT](#)) expects a more profitable year selling to penny-pinching shoppers after its renewed focus on low prices paid off over the holidays with a 4% rise in fourth-quarter profit.

The world's largest retailer, emerging from a year-long turnaround effort after sales stumbled in 2005 and 2006, said Tuesday that aggressive holiday discounts and improvements in its more than 4,000 U.S. stores boosted sales despite consumer anxieties.

CEO Lee Scott said Wal-Mart's decision to re-emphasize low prices last year came at the right time and added: "In a volatile economy, I believe we are well-positioned to succeed."

The company says it expects a spending boost as consumers receive federal tax rebates under the economic stimulus plan.

Wal-Mart forecast earnings of \$3.30 to \$3.43 per share for the current fiscal year that ends Jan. 31, or growth of 4.4% to 8.5%, compared with just over 8% in fiscal 2008. Its shares rose 22 cents Tuesday to \$49.66, still near the top of their 52-week range of \$42.09 to \$51.48.

Analysts said Wal-Mart enjoys such strategic advantages — including the scale of its grocery business that can draw traffic to other areas of the store — that its optimism for the year ahead isn't necessarily a sign for the broader retail sector.

"If I was grading them, I would give Wal-Mart a 'B,' " said Patricia Edwards of investment manager Wentworth Hauser and Violich, which has about 400,000 Wal-Mart shares. "Unfortunately, the rest of retail is getting a 'C-minus.' They have the opportunity, especially in this type of economic environment, to really outpace the competition."

As major U.S. retailers report fourth-quarter earnings, the industry is bracing for its bleakest times since the 1991 recession. Other merchants have closed stores, laid off employees, scaled back expansions or pared inventories as consumer spending slows.

Wal-Mart said net income in the quarter ended Jan. 31 rose to \$4.096 billion, or \$1.02 a share, compared with \$3.94 billion, or 95 cents a share, a year earlier.

Net sales grew 8.3% to \$106.27 billion, helped by 18.8% international growth and 5% growth at U.S. Wal-Mart stores. Overall revenue including membership fees rose to \$107.43 billion from \$99.078 billion a year earlier.

Stores in 13 countries outside the United States accounted for about 25% of total company sales in the quarter, up from 23% a year earlier.

Analysts surveyed by Thomson Financial had expected profit of \$1.02 a share on revenue of \$106.9 billion.

Rising fuel costs are putting pressure on margins, said the head of Wal-Mart's U.S. stores, Eduardo Castro-Wright. Diesel for Wal-Mart's huge fleet of trucks rose about 25% a gallon last year and Castro-Wright called the issue a "potential headwind" for the year ahead.

Castro-Wright said Wal-Mart is introducing new clothing brands to revive its apparel business, which has lagged other areas of the store. New lines this year include kids' brand Grranimals and more Hannah Montana products licensed from Walt Disney Co.

For the full 2008 fiscal year ended Jan. 31, Wal-Mart earned \$12.73 billion, or \$3.13 a share, up from \$11.28 billion, or \$2.71 a share, a year earlier. Net sales rose 8.6% to \$374.53 billion. Overall revenue rose to \$378.80 billion from \$348.65 billion.

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